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CENTRAL INTELLIGENCE BULLETIN

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Communist China: First accounts of a mammoth rally in Peking on 18 August indicate that the party power structure has been shaken up.

Defense Minister Lin Piao appears to be number two man in the party, replacing in this role Chief of State Liu Shao-chi. Lin, identified as Mao's "dearest comrade in arms," was the principal speaker and was seated in the place of honor on the left of Mao. Lin has risen in spite of his long record of illness and absence from public life.

Liu Shao-chi was present, but did not speak and was eighth in Peking's list of officials present. General Secretary Teng Hsiao-ping also failed to take an active part. He was sixth in the line-up and listed below two lower ranking functionaries who are charged with running the current "cultural revolution." Chou En-lai apparently retains a firm grip on the number three spot he has held for years. Chou addressed the rally and was seated on Mao's right.

Chen Yun, once the party's top economic specialist but thrust into limbo for criticizing the "leap forward," may have been readmitted to the circle of power. This was Chen's first appearance at a turnout designed to display elite leaders since 1960.

The basis for the new line-up was probably established during the last days of the 1-12 August central committee plenum. Peking's accounts of the meeting and the bland communiqué issued at its close appear designed to convey the impression that major conflicts have been resolved. The abrupt change in the relative standing of top leaders indicates, however, that the top party conclave--the first of its kind in four years--was the scene of sharp debate. This was suggested earlier by signs of disarray in the party press while the meetings were in session.

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The shape of the new power structure is still unclear, but it reflects shifts which could eventually alter the course of Chinese policy. All indications are that the political cauldron is still bubbling in Peking.

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UK-NATO: [London plans to take the problem of the foreign exchange cost of its troops in Germany to the North Atlantic Council.]

[London will ask the Council to determine the best way to effect a saving of \$28 million annually. British officials are assuming that this will have to come through troop cuts. Britain also will announce unilateral measures to save about \$56 million annually without a troop reduction. These measures include reducing stock levels from a 30- to a ten-day supply.]

[The annual foreign exchange cost of supporting British forces in Germany is now about \$263 million, just over half of which is offset by West German purchase of British goods. As part of its new economic austerity policy, London had earlier announced it would reduce these forces if Bonn does not find a way to increase the offset.]

[By taking the problem to the Council, London probably hopes to build up pressure on Bonn to increase its offset payments by more than it otherwise might be willing to do. British officials, however, do not expect to obtain anything approaching full offset from the Germans. London presumably hopes that by shifting the problem to a multilateral context it can minimize the dangers to Anglo-German relations of any troop reduction which eventually occurs.]

[Defense Minister Healey, who says he has opposed the cuts, has warned US officials that failure to reduce the German offset gap in the period beginning 1 April 1967 to below \$84 million a year would reopen arguments within the British Government over defense policy. Healey indicated that this would lead to renewed pressure to reduce British commitments east of Suez.]

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Dominican Republic: President Balaguer remains determined to initiate ambitious military reforms prior to the departure of the Inter-American Peace Force, now scheduled for late September.

The president's program, [outlined privately to the US Ambassador on 15 August,] includes the transfer to the army of the air force's significant ground combat capability and the break-up of the army's Fourth Brigade--the unit formerly led by, and possibly still loyal to, exiled General Wessin. In addition, Balaguer favors a general reduction in military strength and changes in enlistment policy.

Balaguer feels some of these changes will reduce right-wing capabilities to challenge the government. Although expressing concern with the danger posed by the left, he singled out extreme rightist civilian and military elements as the major threat to the stability of his regime. He indicated some lack of confidence in the ability and, in part, the willingness of the government's intelligence service to develop information on right-wing subversive activities.

Although Balaguer said that the military chiefs appear to be well disposed to accept some reforms, subordinate elements may not be as amenable. Balaguer's desire to begin the changes before the departure of the peace force indicates he understands that risk is involved.

Should Balaguer go ahead with his extensive reforms, he may decide that retention of the peace force beyond the present deadline is necessary.

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South America: The presidents of Chile, Colombia, and Venezuela, and representatives from Ecuador and Peru have concluded two days of talks in Bogota with a declaration which reaffirms the importance of Latin American economic integration.

They call for the accomplishment of economic integration through the development of border regions, increased means of communication, the formation of a common payments clearing house, and eventually a customs union. The conferees also recommend consultation and cooperation between the Latin American Free Trade Association and the Central American Common Market and state that more international assistance is needed, but with conditions softer than those now generally prevailing.

While their declaration deals principally with economic matters, it also calls for an end to the war in Vietnam through peaceful means, and supports restrictions on nuclear weapons.

No startling new initiatives appear to have been taken at the Bogota meeting. However, the stress on economic integration will probably give new impetus to the idea in other Latin American countries and become a major issue for the meeting of hemisphere presidents expected for December or January. [REDACTED]

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NOTES

USSR: [A probable new air-to-surface cruise missile carried by a TU-16 Badger medium bomber was photographed recently over the Barents Sea. The missile may be a replacement for the obsolescent Kennel (AS-1) antiship missile, which has a range of 55 miles and a speed of about Mach 0.8. It is also possible that the new missile may be used as a long-range aviation weapon against land targets.]

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(See Photos)

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Jamaica: A new outbreak of violence in poverty-stricken West Kingston has been described by the police as the worst since late June. Over the weekend there were at least twenty shootings and knifings. As in the past, this activity appears politically motivated. Numerous persons were beaten by thugs who first questioned them on their political affiliation. General elections are scheduled for mid-1967. Meanwhile, more politically motivated violence may be expected.

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*Ecuador: Minister of Defense Fausto Cordovez Chiriboga continues to plot the overthrow of the Yerovi government and his own assumption of power, [redacted]

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[redacted] Cordovez, a civilian, is said to lack widespread military backing for his plans, and some officers who oppose him evidently are planning their own move. Nevertheless, Cordovez does enjoy some military support by virtue of his position and could hope to retain it if he is moved from his present job and named to head the finance ministry as has been rumored recently. [redacted]

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board, on 18 August 1966, approved the following national intelligence estimate:

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NIE 93-66, "The Outlook for Brazil,"

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THE PRESIDENT

The Vice President

Executive Offices of the White House

Special Assistants to the President

The Scientific Adviser to the President

The Director of the Budget

The Department of State

The Secretary of State

The Under Secretary of State

The Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Political Affairs

The Counselor and Chairman of the Policy Planning Council

The Director of Intelligence and Research

The Treasury Department

The Secretary of the Treasury

The Under Secretary of the Treasury

The Department of Defense

The Secretary of Defense

The Deputy Secretary of Defense

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

The Assistant Secretary of Defense (International Security Affairs)

The Chairman, The Joint Chiefs of Staff

Chief of Naval Operations, United States Navy

Chief of Staff, United States Air Force

Chief of Staff, United States Army

Commandant, United States Marine Corps

U.S. Rep., Military Committee and Standing Group, NATO

Supreme Allied Commander, Europe

Commander in Chief, Pacific

Commander in Chief, Atlantic

The Director, Defense Intelligence Agency

The Director, The Joint Staff

The Assistant Chief of Staff for Intelligence, Department of Army

The Director of Naval Intelligence, Department of Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Department of Justice

The Attorney General

The Federal Bureau of Investigation

The Director

National Aeronautics and Space Administration

The Administrator

The Atomic Energy Commission

The Chairman

The National Security Agency

The Director

The United States Information Agency

The Director

The National Indications Center

The Director

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